

Message Text

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PAGE 01 STATE 208124

14

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SUBJ: OCTOBER 8-9 MEETING OECD/WP3 GROUP OF EXPERTS
ON B/P IMPLICATIONS OF OIL SITUATION

1. UNEXPECTED MAJOR TOPIC, PROVOKING LENGTHY AND
INCONCLUSIVE DISCUSSION WAS STRONG PUSH BY SECRETARIAT
(MARRIS) TO DEVELOP ANALYSIS AND REPORT FROM "EXPERTS"
TO WP3 TOUCHING ON WIDE RANGE OF PROBLEMS AND POSSIBILI-
TIES INVOLVED IN PROVIDING SUITABLE FORMS AND AMOUNTS OF
FINANCIAL ASSETS TO MEET INVESTMENT NEEDS OF MAJOR OIL
PRODUCERS WHILE AVOIDING DISRUPTION NATIONAL CAPITAL
MARKETS, INTERNATIONAL MONETARY SYSTEM, ETC.

2. FIRST INITIATIVE AND MAIN EXPLICIT SUPPORT THIS
APPROACH CAME FROM U.K. DEL. (LOVELL) WHO USED OPENING-
ROUND REMARKS TO CITE THIS AS "KEY ISSUE" ON WHICH ANY
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PAGE 02 STATE 208124

POSSIBLE CONTRIBUTION BY EXPERTS USEFUL TO WP3; AND

REPEATEDLY STRESSED PURPORTED SERIOUS CONCERN HIS AUTHORITIES THAT THIS PROBLEM SO FAR RECEIVING INADEQUATE (MULTILATERAL) ATTENTION.

3. US DEL (CURTIS AND PIZER) STRONGLY OPPOSED IDEA THIS GROUP UNDERTAKING AT THIS TIME ANY ATTEMPT TO GO INTO "SPECIFICS AND MODALITIES" OF OIL-PRODUCER INVESTMENTS PROBLEM, AS DISTINGUISHED FROM EARLY FLAGGING ITS BASIC IMPORTANCE AND PROSPECTIVE LARGE DIMENSIONS. ARGUED THAT DOING SO: (A) BEYOND TERMS OF REFERENCE AGREED APRIL WP3 MEETING; (B) MAY, AT MINIMUM, BE PREMATURE; AND (C) COULD VERY POSSIBLY BE WRONG FORUM, IN TERMS LEVEL AND/OR PARTICULAR EXPERTISE OF PARTICIPANTS; POSSIBLE TROUBLESOME OVERLAPS WITH BROADER ISSUES AND OTHER FORUMS (E.G. C-2); AND/OR IMPORTANT AND POTENTIALLY DELICATE QUESTION OF INVESTOR-SIDE INPUTS AND PARTICIPATION.

4. EUROPEANS GENERALLY (WITH ONE OF GERMAN SPOKESMEN IN VANGUARD) GAVE CLEAR DE FACTO SUPPORT TO UK/SECRETARIAT APPROACH, BY PROCEEDING DIRECTLY WITH RATHER CHAOTIC BUT LIVELY FIRST-ROUND EXCHANGE OF SPECIFIC SUBSTANTIVE COMMENTS. MOST EXPRESSED VARYING DEGREES OF CONCERN OVER SOME PARTICULAR ASPECT OF OIL-PRODUCER INVESTMENT INFLOWS; AND MANY ADVANCED ONE OR MORE SPECIFIC SUGGESTIONS AS TO POSSIBLE SPECIAL DEVICES (NATIONAL, BILATERAL, OR MULTILATERAL) TO FACILITATE AND/OR COPE WITH THEM.

5. DISCUSSION TECHNICAL BASIS OF SECRETARIAT'S APRIL WP3 ESTIMATE POSSIBLE OPEC CURRENT SURPLUS BY 1980 (\$25 BILLION ANNUALLY) INDICATED "EXPERTS" GENERALLY SATISFIED CONCEPTUAL FRAMEWORK AND ESTIMATING METHODS PRESENTED SECRETARIAT'S JULY BACK-UP PAPER ARE DIFFICULT IMPROVE UPON AND REASONABLY ADEQUATE -- FOR "ORDER OF MAGNITUDE" PURPOSES. ONLY CLEARCUT CRITICISM (VOICED BY SEVERAL NON-U.S. DELEGATIONS AND READILY ACKNOWLEDGED BY SECRETARIAT) WAS THAT IMPORT-ABSORPTION ESTIMATES FOR LOW-POPULATION OPEC COUNTRIES PROBABLY MUCH TOO OPTIMISTIC.

6. HOWEVER, SECRETARIAT ITSELF (MARRIS) OPENED "ESTIMATES" PORTION OF DISCUSSION WITH DISCLAIMER THAT CONFIDENTIAL

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PAGE 03 STATE 208124

SPECIFIC NUMBERS USED BOTH APRIL MEETING AND JULY PAPER ALREADY OUTDATED; AND OECD OIL STAFF (LAADING AND REINFRANK) INTRODUCED TWO INCREASES THEIR PREVIOUS OIL-NEED AND OIL-PRICE ASSUMPTIONS:
(A) NORTH AMERICA NET-IMPORT REQUIREMENT IN 1980 NOW ASSUMED ABOUT 11 1/2 MB/D (REPLACING PREVIOUS FIGURE ROUGHLY 9 1/2 MB/D);
(B) PREVIOUS ROUND-FIGURE ASSUMPTION OF \$4 PER

BBL. AVERAGE PRODUCER-COUNTRY "TAKE" BY 1980
NOW MOVED FORWARD TO 1975 (WITH NO GUESS
ATTEMPTED FOR REVISED 1980 LEVEL).
U.S. DEL (CURTIS) NEITHER ENDORSED NOR CHALLENGED THESE
CHANGES -- NOTING VERY GREAT UNCERTAINTIES PLUS FACT PRE-
SENT GROUP COMPOSED OF B/P RATHER THAN OIL EXPERTS.

7. AGREED SECRETARIAT WORK PLAN ON BASIS THIS MEETING
INCLUDES: (A) INTERIM REPORT NEXT WP3 TO EFFECT THEIR
GENERAL ANALYSIS AND METHODS BROADLY AGREED BY EXPERTS,
BUT NUMBERS HAVE UNDERGONE SOME UPWARD AND FORWARD SLIP-
PAGE, AND THUS REQUIRE FURTHER REVIEW; (B) TO BE FOLLOWED
BY DRAFTING AND CIRCULATION OF REVISED AND IMPROVED
SECRETARIAT DOCUMENT, INCORPORATING UPDATED AND SLIGHTLY
MORE ELABORATE OPEC-SURPLUS ESTIMATE WITH FOCUS ON 1975
RATHER THAN 1980; (C) WITH FURTHER "EXPERTS" MEETING SOM-
TIME EARLY 1974 TO REVIEW SUCH NEW DOCUMENT BEFORE SUB-
MISSION WP3. ON UNRESOLVED ISSUE WHETHER OR TO WHAT EXTENT
THIS NEW DRAFT AND FURTHER MEETING SHOULD GO INTO SPECIFICS
OF OIL-PRODUCER INVESTMENTS PROBLEM, SECRETARIAT INTENTIONS
AS OF CLOSE OF MEETING WERE CLEARLY STILL IN FLUX AND
OSTENSIBLY SENSITIVE TO FURTHER U.K. AND/OR U.S. PRESSURES.
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